

109TH CONGRESS  
2D SESSION

# S. 2182

To terminate the Internal Revenue Code of 1986, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JANUARY 20, 2006

Mr. ISAKSON introduced the following bill; which was read twice and referred  
to the Committee on Finance

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## A BILL

To terminate the Internal Revenue Code of 1986, and for  
other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Tax Code Termination  
5       Act”.

6       **SEC. 2. PURPOSE.**

7       The purpose of this Act is to set a date certain for  
8       replacing the Internal Revenue Code of 1986 with a simple  
9       and fair alternative.

1 **SEC. 3. TERMINATION OF INTERNAL REVENUE CODE OF**  
2 **1986.**

3 (a) IN GENERAL.—No tax shall be imposed by the  
4 Internal Revenue Code of 1986—

5 (1) for any taxable year beginning after Decem-  
6 ber 31, 2008; and

7 (2) in the case of any tax not imposed on the  
8 basis of a taxable year, on any taxable event or for  
9 any period after December 31, 2008.

10 (b) EXCEPTION.—Subsection (a) shall not apply to  
11 taxes imposed by—

12 (1) chapter 2 of such Code (relating to tax on  
13 self-employment income);

14 (2) chapter 21 of such Code (relating to Fed-  
15 eral Insurance Contributions Act); and

16 (3) chapter 22 of such Code (relating to Rail-  
17 road Retirement Tax Act).

18 **SEC. 4. NATIONAL COMMISSION ON TAX REFORM AND SIM-**  
19 **PLIFICATION.**

20 (a) FINDINGS.—The Congress finds the following:

21 (1) The Internal Revenue Code of 1986 is over-  
22 ly complex, imposes significant burdens on individ-  
23 uals and businesses and the economy, is extremely  
24 difficult for the Internal Revenue Service to admin-  
25 ister, and is in need of fundamental reform and sim-  
26 plification.

1           (2) Many of the problems encountered by tax-  
 2           payers in dealing with the Internal Revenue Service  
 3           could be eliminated or alleviated by fundamental re-  
 4           form and simplification.

5           (3) Recent efforts to simplify or reform the tax  
 6           laws have not been successful due in part to the dif-  
 7           ficulty of developing broad-based, nonpartisan sup-  
 8           port for proposals to make such changes.

9           (4) Many of the problems with the Internal  
 10          Revenue Service stem from the overly complex tax  
 11          code the agency is asked to administer.

12          (b) ESTABLISHMENT.—

13           (1) IN GENERAL.—To carry out the purposes of  
 14          this section, there is established within the legislative  
 15          branch a National Commission on Tax Reform and  
 16          Simplification (in this section referred to as the  
 17          “Commission”).

18           (2) COMPOSITION.—The Commission shall be  
 19          composed of 15 members (of which not less than 2  
 20          members are from small businesses with less than  
 21          50 employees), as follows:

22           (A) Three members appointed by the  
 23          President, two from the executive branch of the  
 24          Government and one from the private sector.

1 (B) Four members appointed by the ma-  
2 jority leader of the Senate, one from Members  
3 of the Senate and three from the private sector.

4 (C) Two members appointed by the minor-  
5 ity leader of the Senate, one from Members of  
6 the Senate and one from the private sector.

7 (D) Four members appointed by the  
8 Speaker of the House of Representatives, one  
9 from Members of the House and three from the  
10 private sector.

11 (E) Two members appointed by the minor-  
12 ity leader of the House of Representatives, one  
13 from Members of the House and one from the  
14 private sector.

15 (3) CHAIR.—The Commission shall elect a  
16 Chair (or two Co-Chairs) from among its members.

17 (4) MEETINGS, QUORUMS, VACANCIES.—After  
18 its initial meeting, the Commission shall meet upon  
19 the call of the Chair (Co-Chairs, if elected) or a ma-  
20 jority of its members. Nine members of the Commis-  
21 sion shall constitute a quorum. Any vacancy in the  
22 Commission shall not affect its powers, but shall be  
23 filled in the same manner in which the original ap-  
24 pointment was made. Any meeting of the Commis-  
25 sion or any subcommittee thereof may be held in ex-

1       ecutive session to the extent that the Chair (Co-  
2       Chairs, if elected) or a majority of the members of  
3       the Commission or subcommittee determine appro-  
4       prium.

5           (5) CONTINUATION OF MEMBERSHIP.—If—

6               (A) any individual who appointed a mem-  
7               ber to the Commission by virtue of holding a  
8               position described in paragraph (2) ceases to  
9               hold such position before the report of the Com-  
10              mission is submitted under subsection (g); or

11              (B) a member was appointed to the Com-  
12              mission as a Member of Congress and the mem-  
13              ber ceases to be a Member of Congress, or was  
14              appointed to the Commission because the mem-  
15              ber was not an officer or employee of any gov-  
16              ernment and later becomes an officer or em-  
17              ployee of a government,

18       that member may continue as a member for not  
19       longer than the 30-day period beginning on the date  
20       that such individual ceases to hold such position or  
21       such member ceases to be a Member of Congress or  
22       becomes such an officer or employee, as the case  
23       may be.

24           (6) APPOINTMENT; INITIAL MEETING.—

1 (A) APPOINTMENT.—It is the sense of the  
 2 Congress that members of the Commission  
 3 should be appointed not more than 60 days  
 4 after the date of the enactment of this Act.

5 (B) INITIAL MEETING.—If, after 60 days  
 6 from the date of the enactment of this Act,  
 7 eight or more members of the Commission have  
 8 been appointed, members who have been ap-  
 9 pointed may meet and select the Chair (or Co-  
 10 Chairs) who thereafter shall have the authority  
 11 to begin the operations of the Commission, in-  
 12 cluding the hiring of staff.

13 (c) FUNCTIONS OF THE COMMISSION.—

14 (1) IN GENERAL.—The functions of the Com-  
 15 mission shall be—

16 (A) to conduct, for a period not to exceed  
 17 18 months from the date of its first meeting,  
 18 the review described in paragraph (2); and

19 (B) to submit to the Congress a report of  
 20 the results of such review, including rec-  
 21 ommendations for fundamental reform and sim-  
 22 plification of the Internal Revenue Code of  
 23 1986, as described in subsection (g).

24 (2) REVIEW.—The Commission shall review—

1 (A) the present structure and provisions of  
2 the Internal Revenue Code of 1986, especially  
3 with respect to—

4 (i) its impact on the economy (includ-  
5 ing the impact on savings, capital forma-  
6 tion and capital investment);

7 (ii) its impact on families and the  
8 workforce (including issues relating to dis-  
9 tribution of tax burden);

10 (iii) the compliance cost to taxpayers,  
11 including small businesses and corpora-  
12 tions; and

13 (iv) the ability of the Internal Rev-  
14 enue Service to administer such provisions;

15 (B) whether tax systems imposed under  
16 the laws of other countries could provide more  
17 efficient and fair methods of funding the rev-  
18 enue requirements of the government;

19 (C) whether the present income tax system  
20 should be replaced with a flat tax, a national  
21 sales tax, or any other specified tax system;

22 (D) whether the Internal Revenue Code of  
23 1986 can be simplified, absent wholesale re-  
24 structuring or replacement thereof; and

1           (E) the transition costs (including the  
2           length of time recommended for a smooth tran-  
3           sition) associated with any changes to the  
4           present Federal tax system (both real and im-  
5           plied) which would be imposed on citizens, busi-  
6           nesses, and the Government.

7       (d) POWERS OF THE COMMISSION.—

8           (1) IN GENERAL.—The Commission or, on the  
9           authorization of the Commission, any subcommittee  
10          or member thereof, may, for the purpose of carrying  
11          out the provisions of this section, hold such hearings  
12          and sit and act at such times and places, take such  
13          testimony, receive such evidence, and administer  
14          such oaths, as the Commission or such designated  
15          subcommittee or designated member may deem ad-  
16          visable.

17          (2) CONTRACTING.—The Commission may, to  
18          such extent and in such amounts as are provided in  
19          appropriation Acts, enter into contracts to enable  
20          the Commission to discharge its duties under this  
21          section.

22          (3) ASSISTANCE FROM FEDERAL AGENCIES AND  
23          OFFICES.—

24                (A) INFORMATION.—The Commission is  
25                authorized to secure directly from any executive



1 department, bureau, agency, board, commission,  
2 office, independent establishment, or instrumen-  
3 tality of the Government, as well as from any  
4 committee or other office of the legislative  
5 branch, such information, suggestions, esti-  
6 mates, and statistics as it requires for the pur-  
7 poses of its review and report. Each such de-  
8 partment, bureau, agency, board, commission,  
9 office, establishment, instrumentality, or com-  
10 mittee shall, to the extent not prohibited by  
11 law, furnish such information, suggestions, esti-  
12 mates, and statistics directly to the Commis-  
13 sion, upon request made by the Chair (Co-  
14 Chairs, if elected).

15 (B) TREASURY DEPARTMENT.—The Sec-  
16 retary of the Treasury is authorized on a non-  
17 reimbursable basis to provide the Commission  
18 with administrative services, funds, facilities,  
19 staff, and other support services for the per-  
20 formance of the Commission's functions.

21 (C) GENERAL SERVICES ADMINISTRA-  
22 TION.—The Administrator of General Services  
23 shall provide to the Commission on a non-  
24 reimbursable basis such administrative support  
25 services as the Commission may request.

1 (D) JOINT COMMITTEE ON TAXATION.—

2 The staff of the Joint Committee on Taxation  
3 is authorized on a nonreimbursable basis to  
4 provide the Commission with such legal, eco-  
5 nomic, or policy analysis, including revenue esti-  
6 mates, as the Commission may request.

7 (E) OTHER ASSISTANCE.—In addition to  
8 the assistance set forth in subparagraphs (A),  
9 (B), (C), and (D), departments and agencies of  
10 the United States are authorized to provide to  
11 the Commission such services, funds, facilities,  
12 staff, and other support services as they may  
13 deem advisable and as may be authorized by  
14 law.

15 (4) POSTAL SERVICES.—The Commission may  
16 use the United States mails in the same manner and  
17 under the same conditions as departments and agen-  
18 cies of the United States.

19 (5) GIFTS.—The Commission may accept, use,  
20 and dispose of gifts or donations of services or prop-  
21 erty in carrying out its duties under this section.

22 (e) STAFF OF THE COMMISSION.—

23 (1) IN GENERAL.—The Chair (Co-Chairs, if  
24 elected), in accordance with rules agreed upon by the  
25 Commission, may appoint and fix the compensation

1 of a staff director and such other personnel as may  
2 be necessary to enable the Commission to carry out  
3 its functions without regard to the provisions of title  
4 5, United States Code, governing appointments in  
5 the competitive service, and without regard to the  
6 provisions of chapter 51 and subchapter III or chap-  
7 ter 53 of such title relating to classification and  
8 General Schedule pay rates, except that no rate of  
9 pay fixed under this subsection may exceed the  
10 equivalent of that payable to a person occupying a  
11 position at level V of the Executive Schedule under  
12 section 5316 of title 5, United States Code. Any  
13 Federal Government employee may be detailed to  
14 the Commission without reimbursement from the  
15 Commission, and such detailee shall retain the  
16 rights, status, and privileges of his or her regular  
17 employment without interruption.

18 (2) CONSULTANT SERVICES.—The Commission  
19 is authorized to procure the services of experts and  
20 consultants in accordance with section 3109 of title  
21 5, United States Code, but at rates not to exceed the  
22 daily rate paid a person occupying a position at level  
23 IV of the Executive Schedule under section 5315 of  
24 title 5, United States Code.

25 (f) COMPENSATION AND TRAVEL EXPENSES.—

1 (1) COMPENSATION.—

2 (A) IN GENERAL.—Except as provided in  
3 subparagraph (B), each member of the Com-  
4 mission may be compensated at not to exceed  
5 the daily equivalent of the annual rate of basic  
6 pay in effect for a position at level IV of the  
7 Executive Schedule under section 5315 of title  
8 5, United States Code, for each day during  
9 which that member is engaged in the actual  
10 performance of the duties of the Commission.

11 (B) EXCEPTION.—Members of the Com-  
12 mission who are officers or employees of the  
13 United States or Members of Congress shall re-  
14 ceive no additional pay on account of their serv-  
15 ice on the Commission.

16 (2) TRAVEL EXPENSES.—While away from  
17 their homes or regular places of business in the per-  
18 formance of services for the Commission, members  
19 of the Commission shall be allowed travel expenses,  
20 including per diem in lieu of subsistence, in the  
21 same manner as persons employed intermittently in  
22 the Government service are allowed expenses under  
23 section 5703(b) of title 5, United States Code.

24 (g) REPORT OF THE COMMISSION; TERMINATION.—

1           (1) REPORT.—Not later than 18 months after  
2           the date of the first meeting of the Commission, the  
3           Commission shall submit a report to the Committee  
4           on Ways and Means of the House of Representatives  
5           and the Committee on Finance of the Senate. The  
6           report of the Commission shall describe the results  
7           of its review (as described in subsection (c)(2)), shall  
8           make such recommendations for fundamental reform  
9           and simplification of the Internal Revenue Code of  
10          1986 as the Commission considers appropriate, and  
11          shall describe the expected impact of such rec-  
12          ommendations on the economy. The measurement of  
13          such impact shall be made using both static and dy-  
14          namic scoring models.

15          (2) TERMINATION.—

16                (A) IN GENERAL.—The Commission, and  
17                all the authorities of this section, shall termi-  
18                nate on the date which is 90 days after the date  
19                on which the report is required to be submitted  
20                under paragraph (1).

21                (B) CONCLUDING ACTIVITIES.—The Com-  
22                mission may use the 90-day period referred to  
23                in subparagraph (A) for the purposes of con-  
24                cluding its activities, including providing testi-

1           mony to committees of Congress concerning its  
2           report and disseminating that report.

3           (h) AUTHORIZATION OF APPROPRIATIONS.—There is  
4   authorized to be appropriated such sums as may be nec-  
5   essary for the activities of the Commission. Until such  
6   time as funds are specifically appropriated for such activi-  
7   ties, \$2,000,000 shall be available from fiscal year 2006  
8   funds appropriated to the Treasury Department, “Depart-  
9   mental Offices” account, for the activities of the Commis-  
10   sion, to remain available until expended.

11   **SEC. 5. TIMING OF IMPLEMENTATION.**

12       In order to ensure an easy transition and effective  
13   implementation, the Congress hereby declares that any  
14   new Federal tax system shall be approved by Congress in  
15   its final form no later than July 4, 2008. If a new Federal  
16   tax system is not so approved by July 4, 2008, then Con-  
17   gress shall be required to vote to reauthorize the Internal  
18   Revenue Code of 1986.

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